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Basis of Cost Estimates for the CIA Retirement and Disability Fund

In preparing the cost estimates for the CIA Retirement and Disability Fund, the experience of the Foreign Service Retirement Fund has been used. In those areas where basic data is not available for the proposed system (viz., unfunded liabilities of the system, additional costs of retirement and disability benefits over Civil Service costs, and similar elements within the system), the Foreign Service experience has been used in the preparation of the cost estimates because the proposed legislation was modeled after the Foreign Service Retirement System and the benefits are identical.

The reasons for using the Foreign Service experience are as follows:

a. The Agency recruitment policy for those who would be covered by the proposed system is primarily through a program of competitive selection of high caliber personnel. This policy is quite comparable to the policy of recruitment of Foreign Service Officers. In both recruitment programs, college degrees are required and additional extensive preliminary training is required of officers prior to assignment to regular duties. The result of these recruitment policies is the development of a career program and the identification of the individuals with the mission of their organization. The CIA employees who would be subject to the proposed legislation and Foreign Service Officers are primarily professional or highly skilled technical personnel. Neither of these systems include clerical, custodial, or other classes of employees in which there is a high turnover of personnel as is the case with the Civil Service Retirement System.

b. Employees subject to the proposed legislation are employed primarily for overseas service in highly specialized duties. They will, of course, be subject to rotation to assignments within the continental limits of the United States but it is contemplated that a substantial portion of their service will be overseas at locations as required due to the exigencies of Agency program requirements. These conditions of service are similar to those faced by Foreign Service Officers. In

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recognition of the problems of an overseas career service, the Foreign Service Retirement System has been developed and modified over the years. On the other hand, the Civil Service Retirement System was developed to meet the needs of service primarily within the United States.

c. The pattern of benefits under the proposed bill is the same as those under the Foreign Service System. Both systems contemplate an earlier retirement age than is provided for under the Civil Service System.

d. Due primarily to the characteristics of the Foreign Service as outlined in the above paragraphs, resignation rates are much lower in the Foreign Service than under the Civil Service. For every 100 employees entering the Foreign Service at age 25, 57 are retired under the Foreign Service System while under Civil Service for every 100 employees entering at age 25, only 13 are retired under the system. CIA experience in this regard is expected to be generally comparable to that of the Foreign Service.

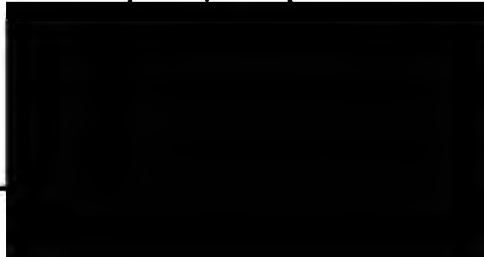
In summary, the estimates submitted which are based upon Foreign Service experience are believed to be appropriate since we are dealing with comparable populations which will receive similar benefits. Therefore, we believe that pay out under the CIA Retirement and Disability Fund will be comparable to the pay out which has been experienced under the Foreign Service Retirement System.

It is believed that these estimates are "outside" estimates or maximums since there are elements which should result in somewhat reduced costs under the CIA Retirement System as compared with the Foreign Service Retirement System. One of these is the relatively larger numbers of higher grade officers in the Foreign Service System (Career Ambassadors, Career Ministers, FSO 1's) as opposed to grade GS-17 and above in CIA. In a total population of 3,718 Foreign Service Officers, 302, or 8.2%, are in these higher grades while in a total population of [REDACTED] are in comparable grades. The following table reflects these comparisons:

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	FSO - Top 3 Positions				CIA - Comparative Positions		
	No. On Duty	Salary	Total Pay	GS	No. On Duty	Salary	Total Pay
CA	6	\$27,000	\$ 162,000	18			
CM	63	26,000	1,612,000	17			
Class I	233	22,600	5,461,520				
Total	302		\$7,235,520				

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Another factor is that the average age of those who would be covered by the proposed CIA system is 38.7 while the average age of Foreign Service Officers is 40.8. It is believed, however, that when the CIA system is fully operative, the average age should be about the same as in the Foreign Service. During the initial period this factor should reduce the costs of the CIA Retirement System as compared to the Foreign Service System.

Thus, the actual CIA costs should be somewhat lower than that of the Foreign Service although much closer to the Foreign Service experience than to the Civil Service experience.

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